

VZCZCXRO3564
RR RUEHCN RUEHG
DE RUEHGZ #0701/01 3570438
ZNR UUUU ZZH
R 230438Z DEC 09
FM AMCONSUL GUANGZHOU
TO RUEHC/SECSTATE WASHDC 1208
INFO RUEHBJ/AMEMBASSY BEIJING 0969
RUEHG/AMCONSUL SHANGHAI 0322
RUEHS/AMCONSUL SHENYANG 0332
RUEHC/AMCONSUL CHENGDU 0323
RUEHK/AMCONSUL HONG KONG 0386
RUEHGV/USMISSION GENEVA 0045
RUCNDT/USMISSION USUN NEW YORK 0011
RUEAIIA/CIA WASHDC 0370
RUEKJCS/DIA WASHDC 0366

UNCLAS SECTION 01 OF 02 GUANGZHOU 000701

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [SOCI](#) [SENV](#) [CH](#)

SUBJECT: Shenzhen's Planned Comprehensive Reforms: What will They Look Like?

Ref: GUANGZHOU 689

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¶1. (SBU) Summary: Shenzhen is currently undergoing "comprehensive" reform of its administrative system (see also reftel), including instituting a balance of power scheme and reducing the number of government departments by one-third. Attrition -- not personnel cuts -- will be the primary means of shrinking the city's bureaucracy. The State Council in Beijing has approved the reforms, which have already been implemented at the city level and will next be implemented at the district and community level. In a bid to remedy land and water shortages and to take better advantage of geographic proximity, Shenzhen is examining opportunities to integrate itself with the neighboring municipalities of Dongguan and Huizhou, both of which could benefit from easier access by Hong Kong-based investors. End summary.

A Tripartite Balance of (Administrative) Power?

¶2. (SBU) Policy, implementation and supervision are three "branches" of government administration that will come under a balance of power arrangement in Shenzhen, Vice Mayor Zhuo Qinrui told the Consul General in September. Zhuo said that the three branches would "restrain each other" but would also maintain connections with one another. Shenzhen has already completed this reform at the city level and would subsequently work on implementing the same structure at the district level and community level, said Zhuo. (Comment: This "balance of powers" should not be interpreted as a potential source of greater political freedom in Shenzhen. The city's comprehensive reforms will not take any steps that would threaten the Communist Party's control or authority. End comment.)

Shrinking the Government

¶3. (SBU) Shenzhen is out to "change the way government functions," according to Zhuo. The Shenzhen plan calls for going from 47 government departments to 31, with an accompanying reduction of management-level bureaucratic positions, said Zhuo. He commented that positions at the director-general level in particular would be hard hit, with the jobs of about half of all directors general and their deputies slated for elimination. Zhuo said that very few bureaucrats would need to be actively eliminated or fired; the plan is to allow attrition to naturally reduce the numbers. Zhuo said that handling the personnel situation, especially, necessitated a slow and gradual implementation of the reforms. He also said that reducing the number of Shenzhen's bureaucrats was not a primary goal of the reforms, but rather a consequence of a more efficient

government structure.

¶ 14. (SBU) Shenzhen is also examining ways to streamline government functions and to pass appropriate functions to non-governmental entities, such as business, according to Zhuo. Zhou said that approximately one-third of the municipality's government functions are likely to be passed to the business sector with the goal of making government more accessible and service oriented for residents. Zhuo said that although some staff still had their doubts about the government's streamlining of personnel and functions, Shenzhen authorities were committed to effecting change -- a view reconfirmed by a senior member of the Shenzhen Foreign Affairs Office in mid-December.

Beijing is Very Much on Board

¶ 15. (SBU) Shenzhen officials bluntly stated that their intention was for the city's reforms to be implemented in Shenzhen, then studied and packaged as a case study for other municipalities in China to follow. Noting that "comprehensive reform" includes reforms in administrative and, without elaboration, "other areas," Zhuo reiterated several times that China's State Council had given its blessing for Shenzhen's leaders to make the changes. Zhuo said that the first stage of reforms had been completed within one month of receiving the State Council's approval, adding that the city's leaders "can always go back to the central government for additional approvals" if new challenges or opportunities arise, giving needed flexibility to the process. Vice Mayor Zhuo appeared satisfied that, 30 years on, Shenzhen was continuing to play an important role in China's reform and opening policy.

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Integrating (not Merging!) Municipalities

¶ 16. (SBU) In a bid to remedy land and water shortages, Shenzhen is examining opportunities to integrate itself with the neighboring municipalities of Dongguan and Huizhou, said Zhuo. He was careful to say that integration was not the same thing as merging the cities together; they would expand and share some services, such as subway lines and business registration requirements, while still retaining discrete municipal bureaucracies. Zhuo said that environmental protection issues might be better handled as a multi-city unit because pollution from any one municipality tends to affect the others. He noted that Shenzhen could benefit from Dongguan's and Huizhou's land and water resources while those two cities would certainly benefit from Hong Kong-based investors having access comparable to that enjoyed in Shenzhen.

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